

Message Text

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PAGE 01 GENEVA 02679 211707Z
ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 AF-10 ARA-10 EA-10 NEA-10 OIC-02
/159 W

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FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 6224
INFO AMEMBASSY OTTAWA

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USMTN

ACTION STR
E.O. 11652: N/A
TAGS: ETRD, MTN, CA
SUBJECT: TABLING OF CANADIAN MTN OFFER ON INDUSTRIAL
TARIFFS

1. CANADA TABLED ON FEBRUARY 17 ITS INDUSTRIAL TARIFF
OFFER. (HAMERSCHLAG WILL HAND-CARRY TO WASHINGTON.) THE
OFFER ONLY PROVIDES TARIFF-LINE DETAIL ON DEEPER-THAN-
FORMULA REDUCTIONS AS WELL AS EXCEPTIONS FROM THE FORMULA
AND LESS-THAN-FORMULA REDUCTIONS. ALSO PROVIDED IS THE
TARIFF-CUTTING HYPOTHESIS WHICH CANADA USED TO ARRIVE AT
A TRADE-WEIGHTED AVERAGE REDUCTION OF 40 PER CENT. THE
TARIFF-LINE OFFER FOR PRODUCTS SUBJECT TO THE FORMULA
WILL NOT BE AVAILABLE FOR SEVERAL WEEKS. CANADIAN OFFERS
ON AGRICULTURE AND NON-TARIFF MEASURES ARE EXPECTED IN
7-10 DAYS.

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PAGE 02 GENEVA 02679 211707Z

2. CANADA STATES THAT ITS OFFER, BASED ON THE SWISS FOR-
MULA, USED THE FORMULA $Y = \frac{X \times F}{X + N}$ WHERE Y EQUALS THE PROPORTIONATE REDUCTION IN AN
INITIAL RATE, X EQUALS AN INITIAL RATE, AND WHERE INITIAL-
LY N EQUALS A CONSTANT OF 12, AND F EQUALS AN ADJUSTMENT
FACTOR OF 0.7 WHICH IS DESIGNED TO RESULT IN A TRADE-
WEIGHTED AVERAGE REDUCTION OF 40 PER CENT. A ROUGH CALCU-

LATION SHOWS THE CANADIAN FORMULA CUTTING TARIFFS AS FOLLOWS: 5 PER CENT TO 4, 7.5 TO 5.5, 10 TO 6.8, 12.5 TO 8, 15 TO 9.2, 17.5 TO 10.4 AND 20 TO 11.3. IMPORTS INTO CANADA HAVE BEEN ASSUMED TO ENTER AT MFN RATES. PHASING IS ASSUMED AT 8 YEARS BUT FOR SOME PRODUCTS LONGER-THAN-NORMAL PHASING OR DELAYED IMPLEMENTATION IS POSSIBLE. A NUMBER OF SPECIFIED OFFERS ARE LINKED TO ACTION ON NON-TARIFF MEASURES OR ON ACTION BY OTHERS TO REDUCE TARIFFS ON THE SAME OR SPECIFIED PRODUCTS IN RELATED CATEGORIES.

3. THERE ARE RELATIVELY FEW TOTAL EXCEPTIONS, LARGELY IN THE TEXTILES, FOOTWEAR AND STEEL SECTORS. LESSER-THAN-FORMULA CUTS ARE MORE NUMEROUS AND ARE CLUSTERED IN IRON AND STEEL, CHEMICALS, TEXTILES AND HOUSEHOLD APPLIANCES. UNFORTUNATELY THE CANADIANS ARE UNABLE TO PROVIDE AT THIS TIME STATISTICS TO SHOW THE TRADE IMPACT EITHER IN TOTAL OR BY CATEGORY. WITH ALL THEIR ENERGIES CONCENTRATED ON GETTING THE OFFER OUT, THE CANADIAN DEL HAS NOT HAD TIME TO ANALYZE THE TRADE IMPACT FIGURES BUT PROMISED THAT DATA WOULD BE MADE AVAILABLE SHORTLY.

4. COMMENT: ALTHOUGH DEL HAS NOT HAD A CHANCE TO STUDY OFFER, IT IS OBVIOUSLY HIGHLY COMPLEX, CLOSELY TAILORED TO CANADIAN INTERESTS AND WILL REQUIRE INTENSE STUDY BEFORE ANY CONCLUSION CAN BE REACHED. MOST SURPRISING WAS THE NUMBER OF CHEMICAL ITEMS GIVEN LESS-THAN-FORMULA REDUCED LIMITED OFFICIAL USE

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TIONS, SINCE CANADIANS HAVE FLAGGED PETROCHEMICALS AS A MAJOR AREA IN WHICH CONCESSIONS ARE SOUGHT.

5. DRAFTED BY HAMERSCHLAG. MCDONALD

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